



Governor's Office of  
PLANNING AND BUDGET  
THE STATE OF GEORGIA

# Georgia's Economic and Budgetary Outlook

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# Economic outlook for Georgia

- The national and international pictures matter, but state economies vary more than people think with 38 states having had recessions since the last national one.
  - Unfortunately, state level data are limited, so lots of inference is needed.
- I'll start international and work my way down to Georgia.



## International outlook

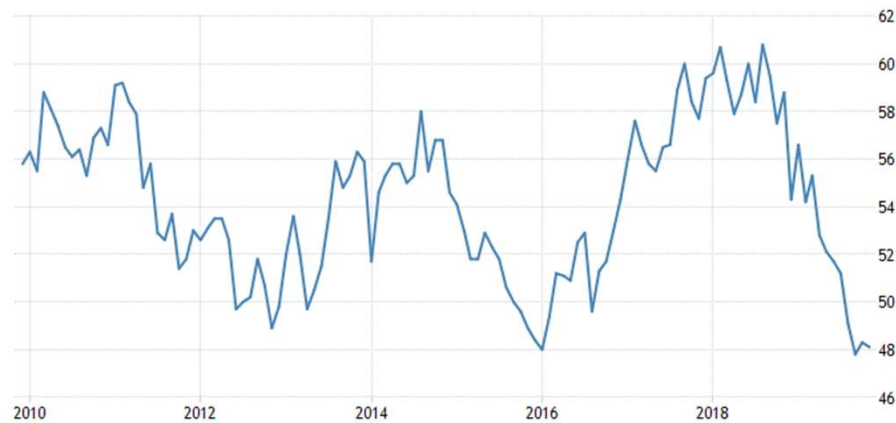
Biggest Economies	Top US Trade Partners	Biggest Buyers US Exports
<b>US</b>	<b>China</b>	<b>Canada</b>
<b>China</b>	<b>Canada</b>	<b>Mexico</b>
<b>Japan</b>	<b>Mexico</b>	<b>China</b>
<b>Germany</b>	<b>Japan</b>	<b>Japan</b>
<b>UK</b>	<b>Germany</b>	<b>UK</b>
<b>France</b>	<b>South Korea</b>	<b>Germany</b>

Note: Georgia is the 12<sup>th</sup> most trade-dependent state.

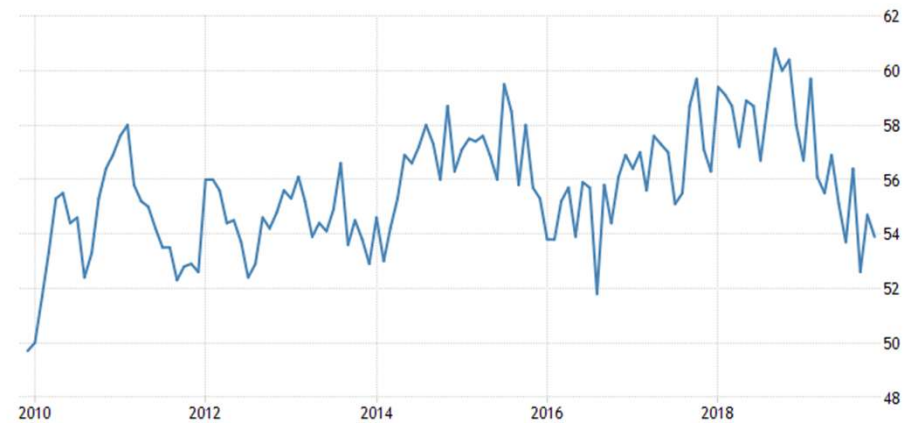


# US outlook

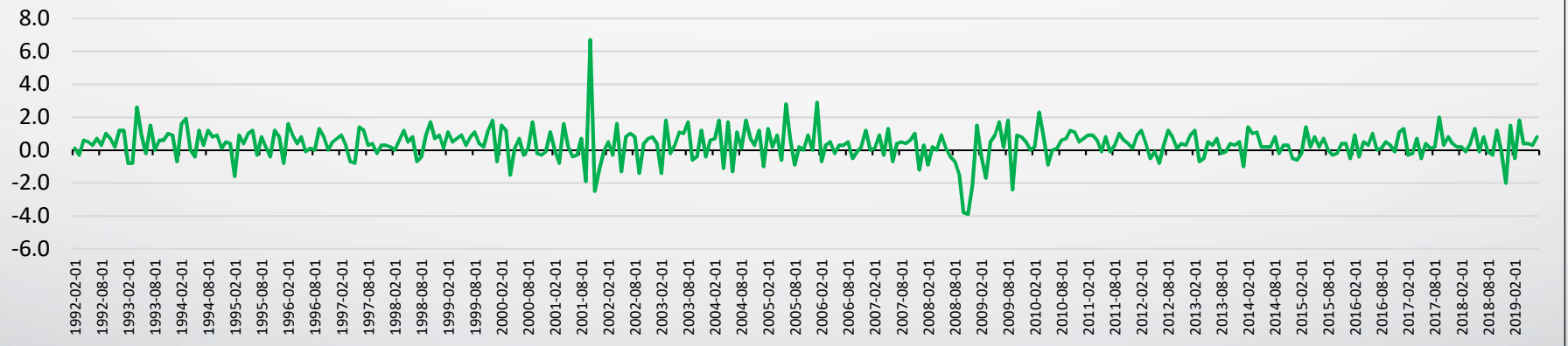
## ISM Manufacturing Index



## ISM Non Manufacturing Index



## Retail Sales





# Why any economic slowdown will be mild

**FRED**

— Household Debt Service Payments as a Percent of Disposable Personal Income



Shaded areas indicate U.S. recessions

Source: Board of Governors of the Federal Reserve System (US)

fred.stlouisfed.org



# What keeps the state economist awake at night?

- China (economy and trade war)
- Germany and European recession
- UK and Brexit
- 2020 Election
- Middle East and oil markets
- ...



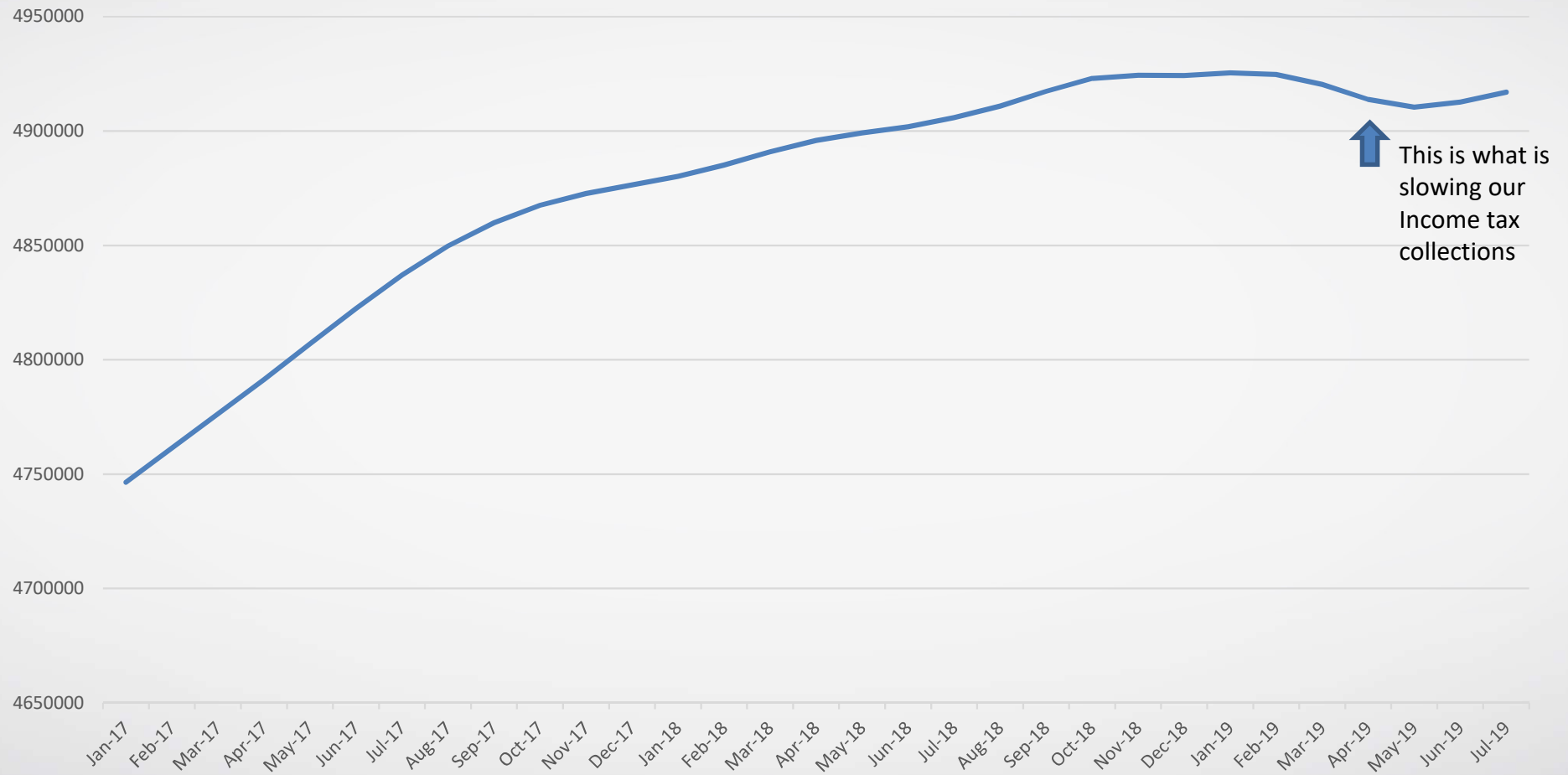
## Georgia outlook

- Wage growth in Georgia is solid at 3-3.5%, but job growth slowed to 0.3% from Aug 18 to Aug 19; back to 1.4% now.
  - It's tough to grow jobs when unemployment is 3.3%
- Consumer sentiment has dropped and so has sales tax revenue growth.
- Georgia's economy is likely to grow slowly or shrink slightly over the next 9-12 months.



# Georgia outlook

Ga Employment







# Georgia outlook

**FRED** — University of Michigan: Consumer Sentiment



Shaded areas indicate U.S. recessions

Source: University of Michigan

[fred.stlouisfed.org](https://fred.stlouisfed.org)



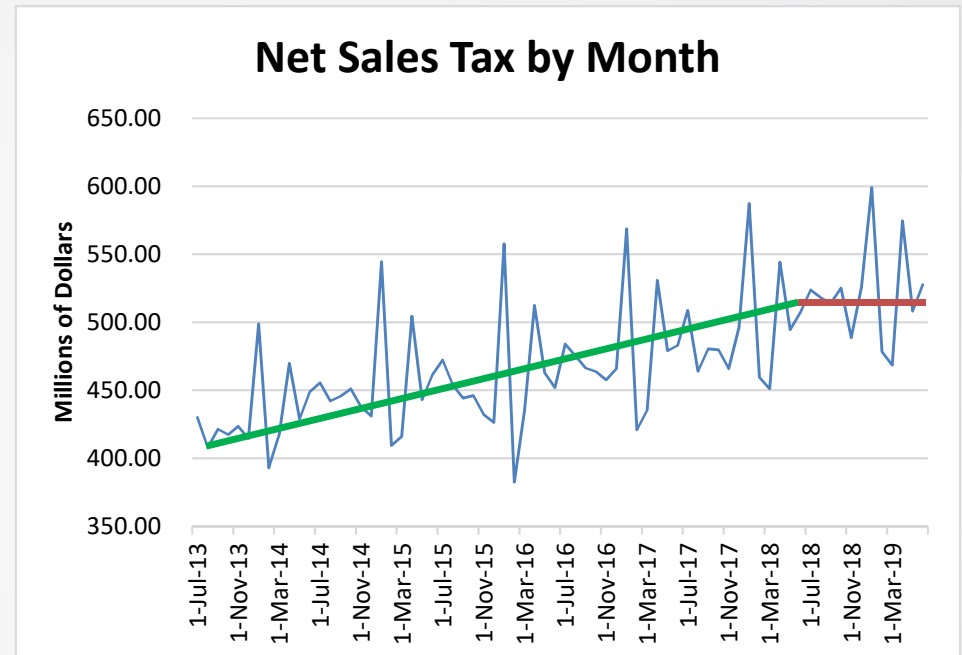
## Georgia economic highlights

- Record employment.
- Record low unemployment.
- More than 70% of new plant openings outside metro Atlanta.
- #1 state to do business in for seven years running.



## Given this, why is the budget so tight?

- Tight budget year because revenue growth is slow
  - Employment is at record high, but growing slowly (hard to grow jobs when everyone has one)
  - Retail sales are growing, but, again, slower than they have been.
  - Corporate taxes are the one bright spot.





## Given this, why is the budget so tight?

- Tight budget year because of tax cuts/reallocation
  - 0.25% rate cut lowered revenue by \$500M/year
  - TAVT change reduced state revenue by \$170M
- Nondiscretionary budget items for AFY20 are \$202M.
  - For FY21 they are \$519M.

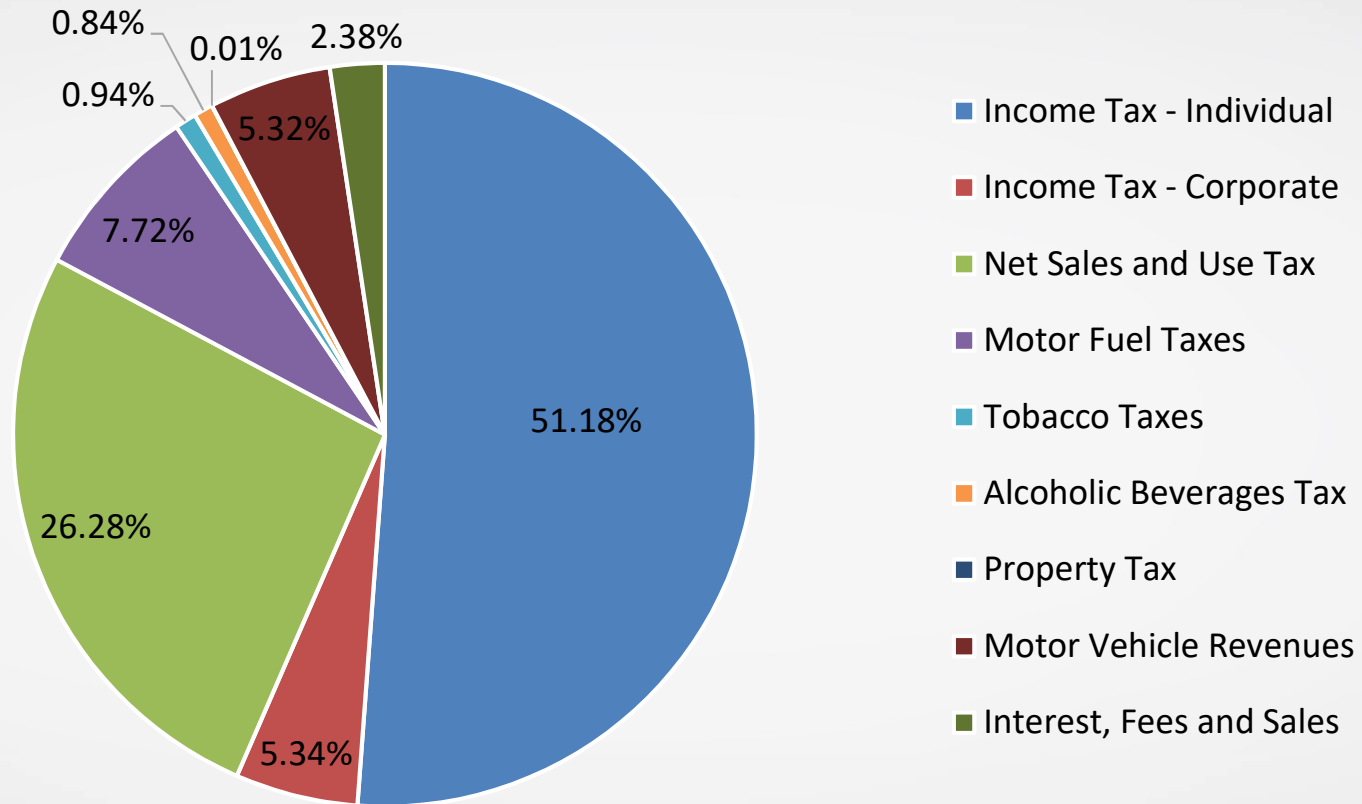


## Given this, why is the budget so tight?

- Tight budget year because some parts of the budget grow faster than revenue and are formula-based or otherwise subject to more limited state control
  - Need to cut other parts of the budget to get to target average growth (priorities).



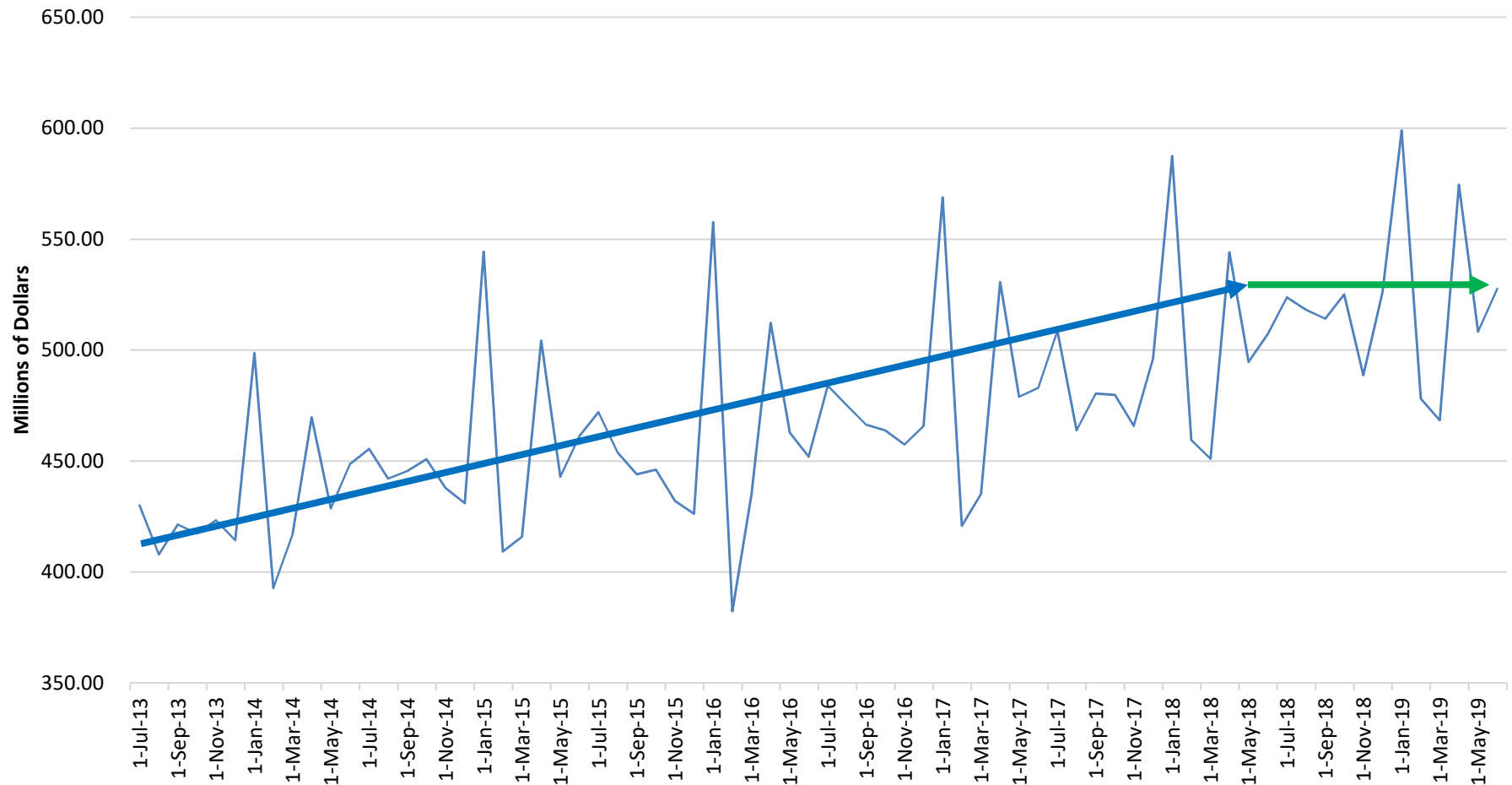
# FY 2019 State Revenue by Source





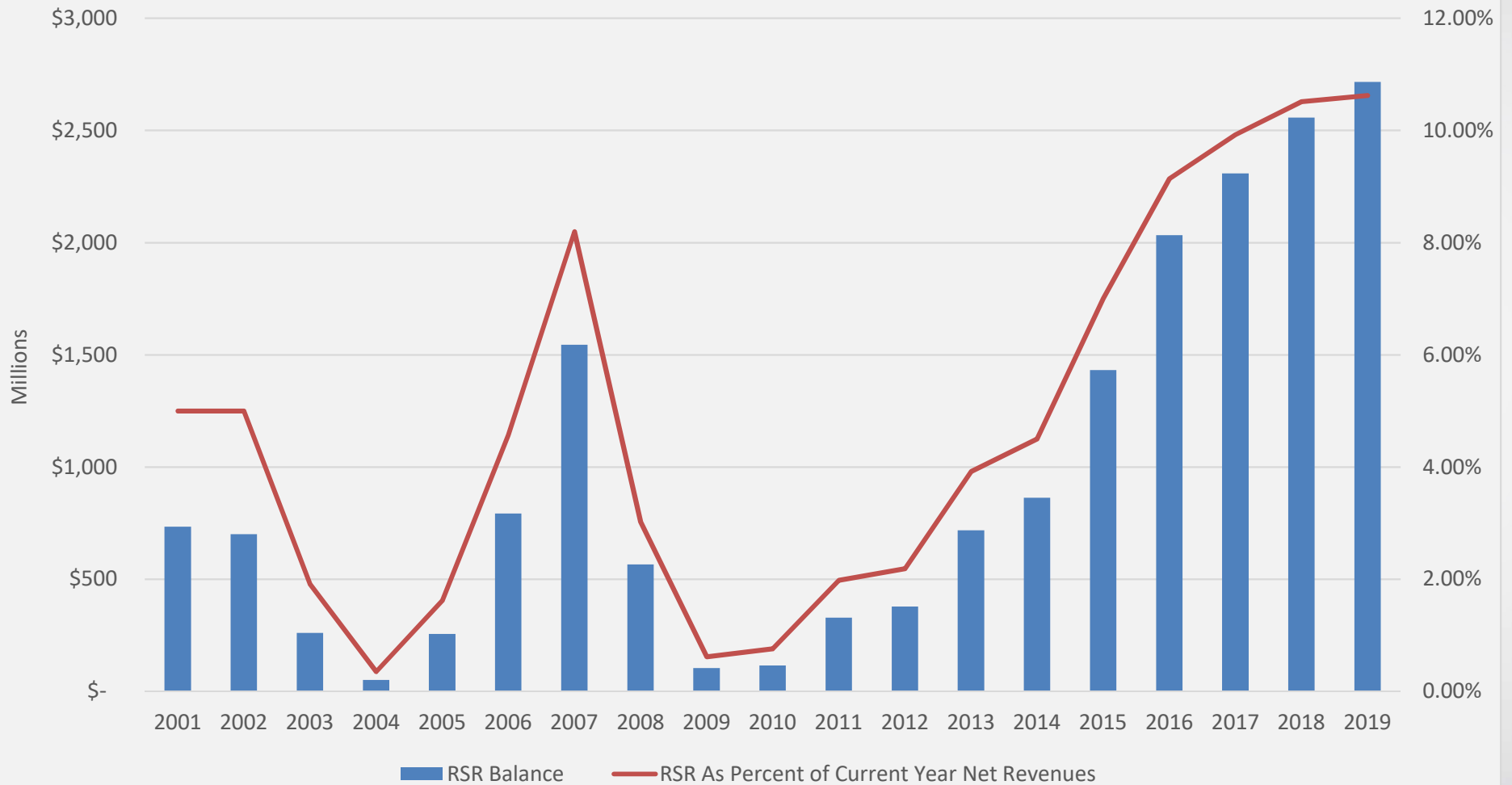
# Sales Tax Collections Are Slowing

## Net Sales Tax by Month





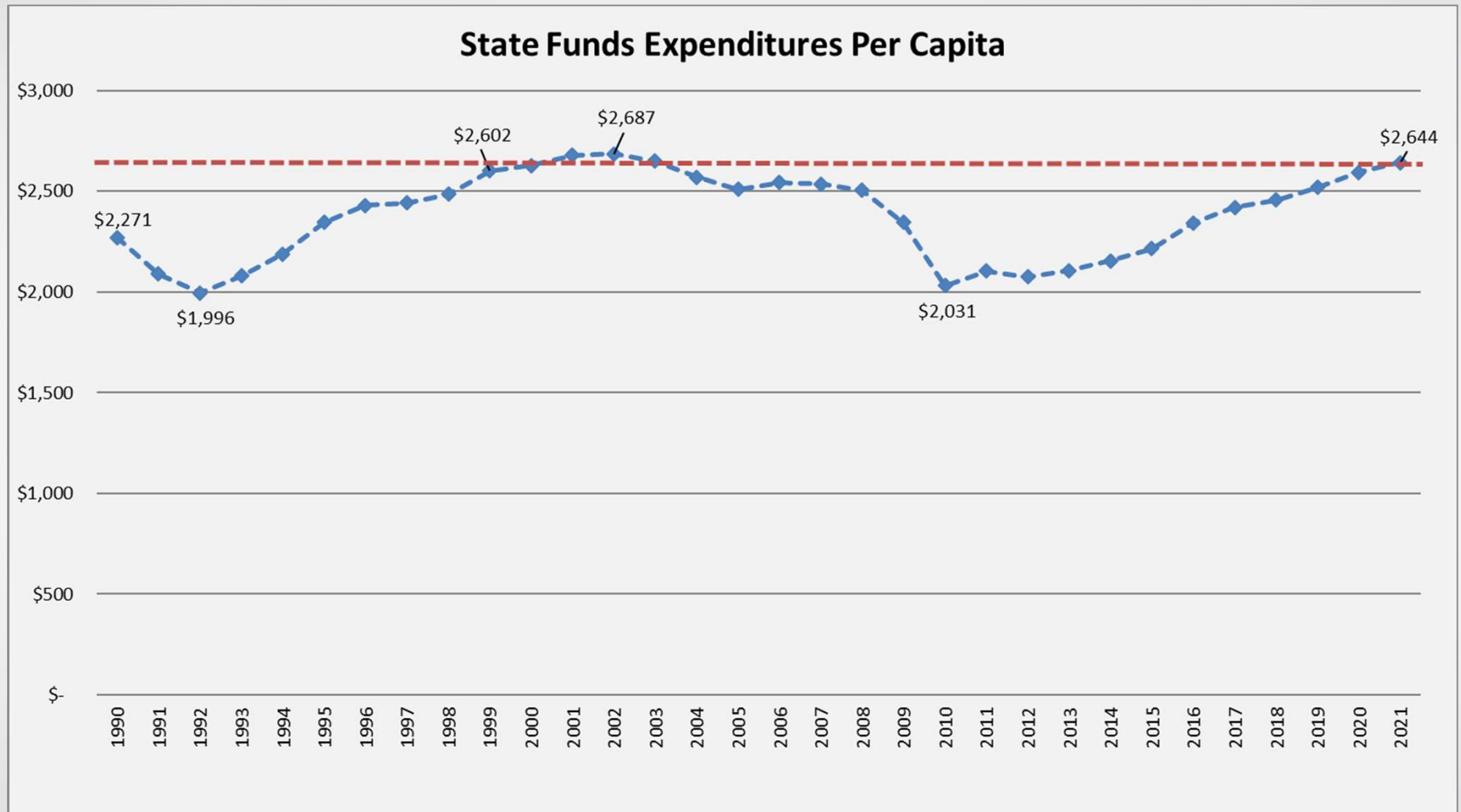
# Revenue Shortfall Reserve







# State Funds Expenditures Per Capita



\*All amounts shown are adjusted for inflation to current fiscal year dollars



- Thank you for listening



# Policies Impacting Georgia's State Revenue

- HB 918 – lowering state revenues by \$500 million/year.
- Market facilitator law would bring in \$120 million/yr or more.
- Tax Credits, direct cost, timing uncertainty, transferability, HB 132.
- Tax policy and economic growth are NOT linked.
  - This is something the Governor plans to change.